CITY OF ALAMEDA
Memorandum

To: Honorable Mayor and
Members of the City Council

From: Gregory Hamm
President, Public Utilities Board

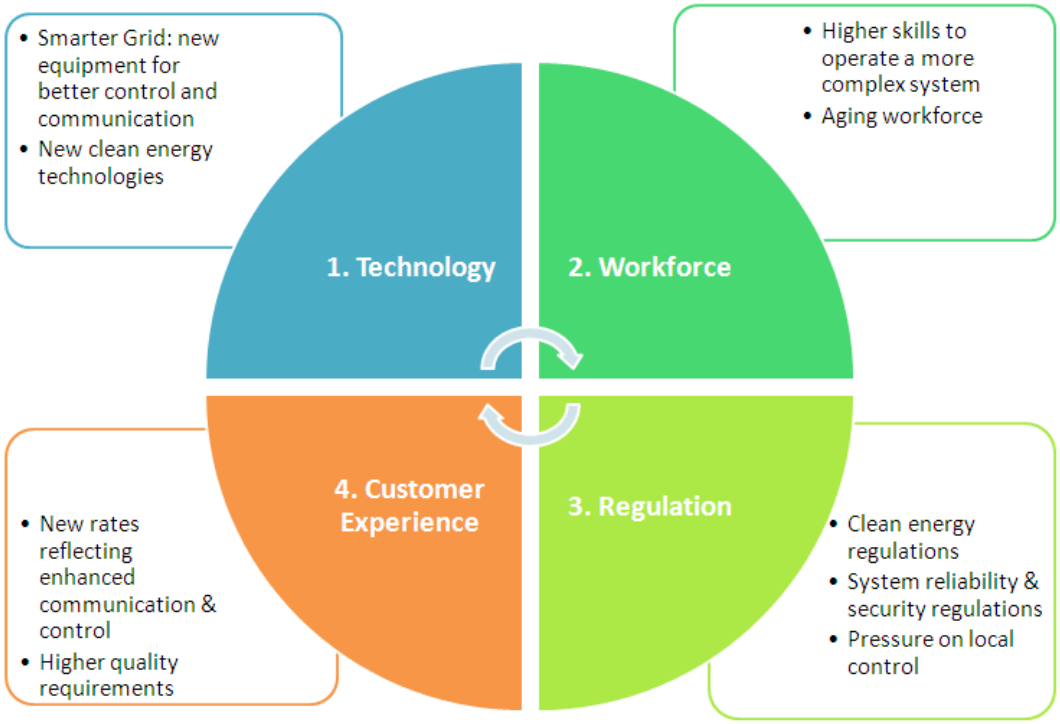
Date: November 1, 2011

Re: Public Utilities Board Update on Alameda Municipal Power Strategic Issues

BACKGROUND

The Public Utilities Board (Board) and Alameda Municipal Power (AMP) staff discussed this report at the Board's September 19 meeting.

The electric utility industry is undergoing fundamental changes. Review of industry literature and participation in various industry forums at the local, state and federal levels have led the Board to conclude that the trends shown in the figure below will very likely reshape and transform the utility industry and therefore AMP.



Over the last three years, the Board and AMP staff have engaged in an annual strategic planning process to identify critical issues/risks and develop response strategies. Detailed information related to the Board's strategic planning process and initiatives for the next several years is provided after the summary. The following five issues were chosen by the Board as having particular interest to the City Council. Each issue is accompanied by the initiative(s) that the Board has prioritized:

1. TECHNOLOGY

Over the coming years the installation and integration of new technology at all levels of the system will be a significant expense and effort for AMP. AMP has taken a second-mover position with regard to cutting edge technology. AMP must accelerate its implementation of proven technologies and at the same time get prepared for the additional technology changes that are maturing quickly. Due to the focus on Telecom over the 1998-2008 periods, proven advanced technologies were either not introduced or not integrated into AMP operations. Due to the controversial nature of the implementation of Smart Meters in the PG&E service area, care must be taken to develop a sound business case and successful customer outreach that is reflective of Alameda's unique characteristics.

i. *Board Initiative 6: Enhance Outage Restoration Effectiveness*
ii. *Board Initiative 7: Modernize Delivery System*
iii. *Board Initiative 8: Business Case for Smart Grid*

2. WORKFORCE

Issues related to AMP's workforce need to be addressed. AMP will need to make changes in job descriptions, titles, and compensation. Advanced technology, increased regulatory compliance needs, and an aging workforce require the utility to deal with this issue in a proactive manner and not wait until a negative triggering event causes AMP to react. Communication with the City Council on this sensitive issue will be required over the coming year(s).

i. *Board Initiative 11: Organization Development*

3. REGULATION

The Board has started the process of updating its renewable electricity policy; this policy must be updated by the end of the year. The Board anticipates that some customers will feel that the utility is not doing enough, while others will feel that AMP is doing too much at too great an expense. The current policy is outdated due to the inclusion of large hydroelectric resources which are not recognized by the California Energy Commission as an eligible renewable resource. Additionally, the opportunity to monetize renewables through leasing excess renewables for a short period of time is being discussed. This opportunity may be short-lived, and the potential to leverage this opportunity into long-term value for Alameda is being examined closely by the Board. Revenues that may result could be utilized for aging infrastructure replacement, advanced technology investment, additional renewable purchases, enhanced customer programs and other valuable customer needs. This complex interplay of policy and financial issues will be dealt with in the coming months.

i. *Board Initiative 1: Update Renewable Portfolio Standard Policy*
ii. *Board Initiative 2: Replace Morgan Stanley Contract*

iii. Board Initiative 15: Energy Efficiency Strategic Work Plan

4. CUSTOMER EXPERIENCE

In the long-run, all customers will have advanced metering. Customers will be offered new rate and service options from the utility and third-parties. New technology has the potential to provide better service at lower cost in the long run, but installation may put short run pressure on rates. Compliance with new environmental and security regulations will similarly put pressure on rates. Funding for long-term infrastructure, advanced technology and additional renewables will need to be addressed in the coming year(s). A cost-of-service study is also to be worked on over the next year in order to properly allocate costs for rates. The Board will continue to examine ways in which the impacts of rate increases are softened through the use of transition periods and reserves. Additionally, the Board will examine how the utility could continue to provide value to the City while balancing the needs of the utility.

i. Board Initiative 3: Implement Rate Increase
ii. Board Initiative 4: Update Cost of Service and Study New Rates
iii. Board Initiative 10: PUB-City-Community Initiatives

5. LBNL 2nd CAMPUS

AMP has worked closely with the City to provide a responsive and attractive utility service offering during the Request For Information stage. If LBNL selects Alameda as its preferred site, the Board will work closely with the City Council to provide the most effective and integrated implementation.

i. Board Initiative 9: Prepare for New Block Load

The Exhibits to this report provide more information related to AMP's strategic plan and initiatives; the value of direct transfers contributed to the City and the value of lower rates (approximately $15 million in total); reliability record; future initiatives related to workforce, energy procurement, energy efficiency and other issues.

Lastly, on behalf of the Board I would like to extend an invitation to the City Council to participate in or provide comments for the Board's next Annual Strategic Planning Workshop, currently scheduled for January 30, 2012 at 4 PM.

Respectfully submitted,

Gregory Hamm by GB

Gregory Hamm
President, Public Utilities Board

Exhibits:

1. AMP's Purpose, Strategic Plan and Metrics; and Overview of the 15 Initiatives
2 Description of the 15 Initiatives identified in 2011

cc: Public Utilities Board

EXHIBIT 1

AMP's Purpose, Strategic Plan and Metrics; and Overview of the 15 Initiatives

Each year, since 2008, the Public Utilities Board (Board) has undertaken strategic planning workshops to identify and prepare for potential critical issues, risks, and opportunities facing the utility. The workshop is an adaptive, transparent, and flexible process and allows staff, the Board and the community the opportunity to (1) develop AMP's purpose and vision (2) identify critical issues, risks and opportunities (3) develop strategies, priorities and initiatives to ensure AMP's purpose is met while dealing with risks and opportunities. In addition to these annual workshops, an annual strategic financial workshop is also held where the operational budget, long-term rates and long-term infrastructure funding are also discussed.

The years 2007-2009 could be characterized as telecom-focused years. During that time, a significant amount of the Board's and senior management's attention was focused on telecom. Subsequent to the sale of the telecom system in November 2008, the focus has shifted to the electric side of the business. The remaining issues related to telecom are related to litigation and the Council and Board deal with these issues in Closed Session.

In 2009, the Board adopted a new Purpose statement, 10 Strategies and 5 metrics. These are shown on the following page.

Purpose Statement:

Increase value to Alameda by providing safe, reliable, cost-effective, and environmentally responsible electricity

Purpose is achieved when Strategies are linked to Metrics

Strategies

1) Re-focus on the core electric business via developing a new corporate identity and renewing partnerships with the City Council, customers, workforce and industry partners.
2) Ensure utility financial health is preserved through short and long-term risk management and planning.
3) Attract and retain an effective workforce that is appropriately aligned, well trained, equipped with the right tools and technology, and properly recognized.
4) Utilize policies and procedures that allow for superior customer satisfaction and workforce effectiveness.
5) Continue to add value to the community through the General Fund transfer and other means.
6) Implement energy efficiency, renewable power and customer service programs to increase customer satisfaction.
7) Set rates to meet environmental, reliability, community and fiscal health objectives while being equitable for all customer classes.
8) Plan for the long-term reliability of utility distribution system assets while ensuring that annual operations and maintenance are implemented.
9) Endeavor to maintain local control over utility programs including energy efficiency, renewable power and distribution system standards.
10) Manage short-term and long-term power supply reliability and cost, while maintaining a loading order of efficiency and demand response, renewable energy resources, and clean and efficient fossil generation.

In 2011 the Board identified the following 15 initiatives to be prioritized over the next 3-5 years. The initiatives identified are in addition to many other undertakings proposed by staff to address daily operational demands. We expect that these initiatives will continue to be discussed and refined by the Board.

INITIATIVES FOR NEXT 1-5 YEARS

(Incremental to existing work)

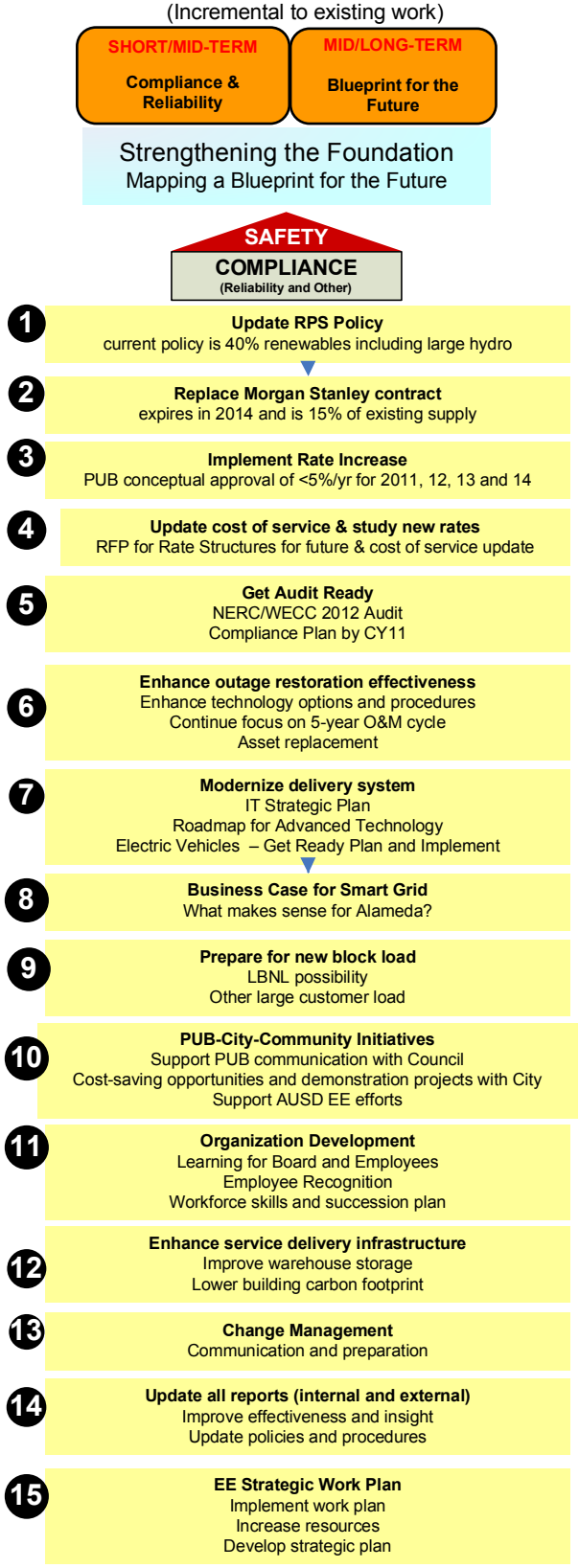
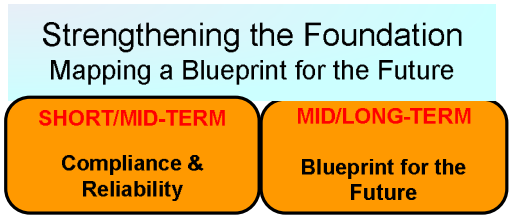


EXHIBIT 2
Description of AMP's 15 Initiatives identified in 2011

For the coming years, in addition to the day-to-day wash of work that occupies the vast majority of the work load of most employees, AMP will work on the following 15 initiatives identified in the 2011 Board Strategic Workshop. Development of the 2011 initiatives expanded upon the 2010 work. Focusing on these initiatives meet the Board's overall direction for the short- to long-term as shown below:



The descriptions of these initiatives are in different stages of completion. Some are more clearly defined and will be acted upon without significant additional discussion. Some will require interim steps to be taken and information to be gathered before a clear definition of the goal can be developed and major decisions can be made. The Board will continue to oversee and direct AMP staff in updating these initiatives.

The overarching initiatives prioritized by the Board are Safety and Compliance:

Above all, **Safety** must be emphasized at all levels of the organization. Many AMP field employees work with high-voltage equipment and safety must be part of the every-day culture of all employees. The safety of our employees is of paramount importance. AMP is on target to exceed its current safety record of 3 years without a loss time incident. Continued vigilance, training and oversight will remain a top priority.

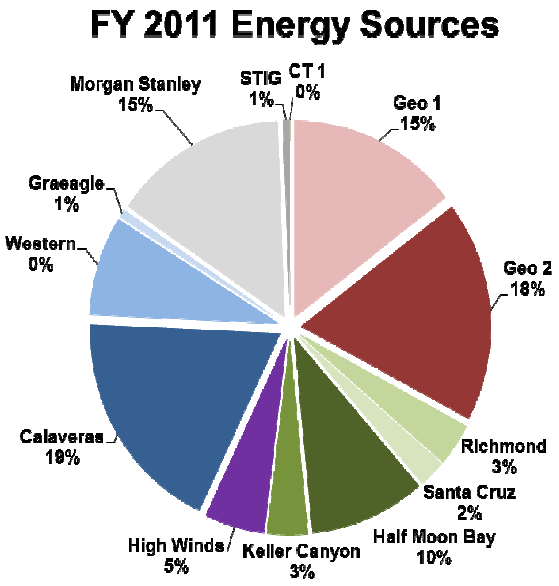
This year, we have added **Compliance** as an above-the-line priority. In addition to compliance related to safety, new mandatory federal regulations related to electric reliability compliance have the potential to impose large penalties on AMP. Federal regulations that have been introduced since 9/11 and the 2003 Eastern United States blackout have given regulators the ability to not only impose mandatory electric reliability standards on all electric utilities but has also given them the ability to impose large fines as penalties. These new regulations have been promulgated by Congress and have a one-size-fits-all design. AMP will be audited in the early part of 2013. Compliance is related not only to electric reliability but also to all other parts of the business.

1. *Update Existing RPS Policy*

- *Current policy is 40% and includes large hydro*

1 **Update RPS Policy**
current policy is 40% renewables including large hydro

California passed SB2 (1x) mandating a 33% Renewable Portfolio Standard (RPS) by 2020 that applies to all publically owned utilities (POU's). AMP's current standard of 40%, passed in 2003 and including large hydro, must be updated to comply with California statute. AMP's currently has 63% of its power obtained from renewable resources. This exceeds both the current standard adopted by the Board in 2003 and as well as that established by SB2 (1X). The excess renewables could be monetized to benefit AMP's rate payers. Finally the City of Alameda, as part of the Local Climate Protection Plan (LCPP), has requested the PUB to consider a 100% carbon-free RPS. All of the above are driving the update of AMP's RPS policy. The main factors that must be evaluated when considering RPS policy alternatives are 1) financial factors including AMP's debt ratio and days of cash on hand and 2) rate impact including the competitiveness of AMPs projected rates as compared with PG&E's rates for probable load forecasts. The evaluation methodology will use Renewable Energy Credit (REC) sales and purchases to model the different RPS policy impacts. Staff will also evaluate the impact of RPS policies on the LCAP. Subsequent to finalizing an RPS policy, staff will evaluate the benefits of REC policies including short and long term sales, rate impacts after 2020 and explore options for those AMP customers that would choose to be served with 100% carbon free or renewable power.



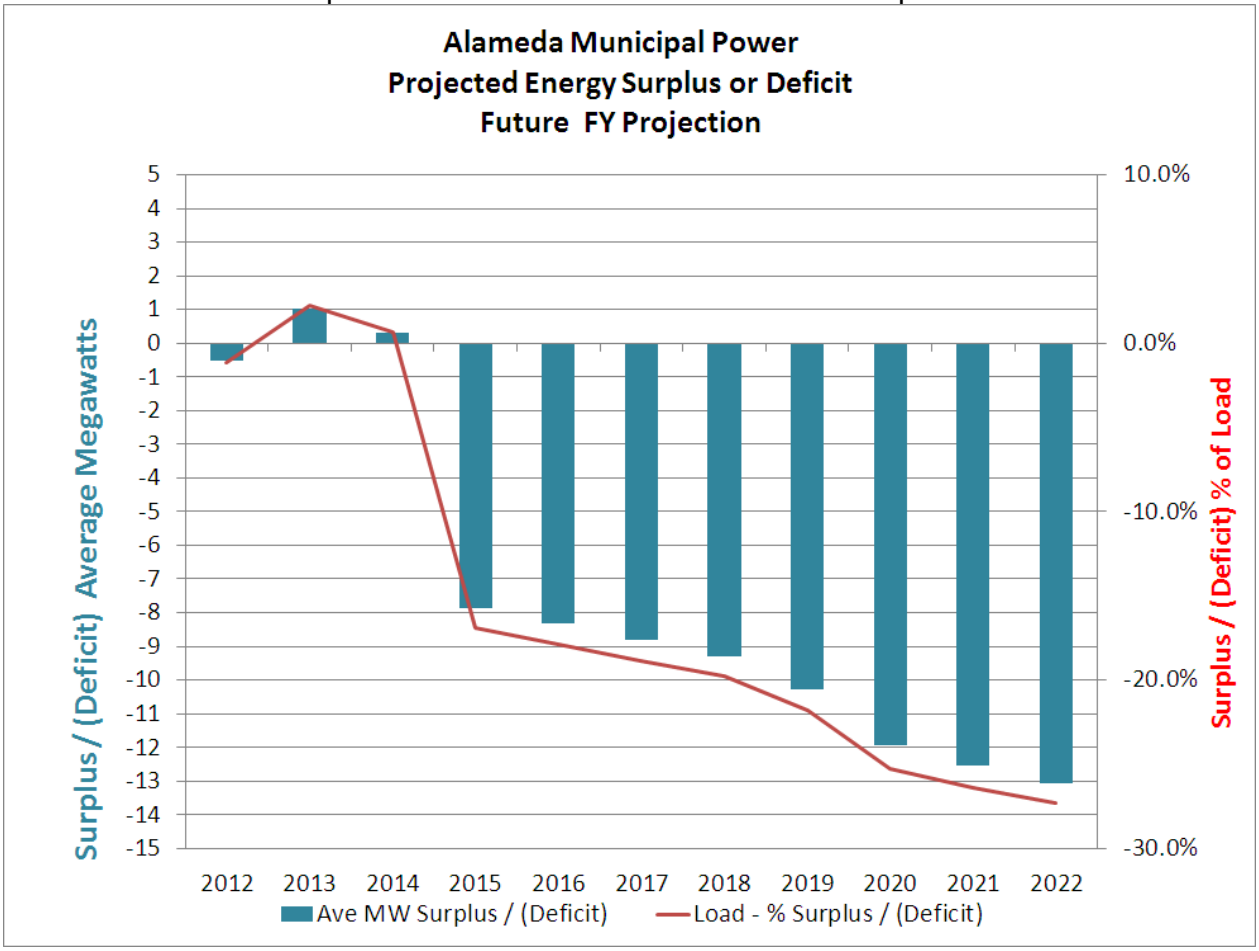
The Board has also directed staff to look into the opportunity to transfer (sell), on a short-term basis, the excess renewables we may have. The Board will engage in a discussion as to how the revenues could be utilized. Currently, the alternatives include, re-investing in aged elecric utility infrastructure, additional renewable power purchases in the future and enhanced utility customer programs.

2. *Procure Net Short (Replace Morgan Stanley Contract)*

2 **Replace Morgan Stanley contract**
expires in 2014 and is 15% of existing supply

A 15-year power purchase agreement (PPA) with Morgan Stanley that delivers 15 MW/hr 24/7 during Q1 and Q4 will expire at the end of 2014. The procurement of this and additional power demand (see Surplus/Deficit chart), not

covered by the existing power portfolio resources, is on hold awaiting the adoption of a new RPS policy which will inform the procurement process. Further, AMP has determined that future procurement decisions should include a probabilistic evaluation of



the impact of the proposed or alternative resources and will develop appropriate tools to facilitate this process. The RPS and the risk assessment tools will allow AMP to formulate and evaluate procurement strategies going forward as well a process and criteria for not only replacing the Morgan Stanley contract but for handling other future procurement decisions. Once appropriate resources and price points have been identified, AMP staff will adopt a suitable bidding and contracting procedure. This initiative currently assumes that market power will replace Morgan Stanley which is a market product and therefore includes steps to qualify bidders using a standard Edison Electric Institute contract amended as appropriate for AMP's needs.

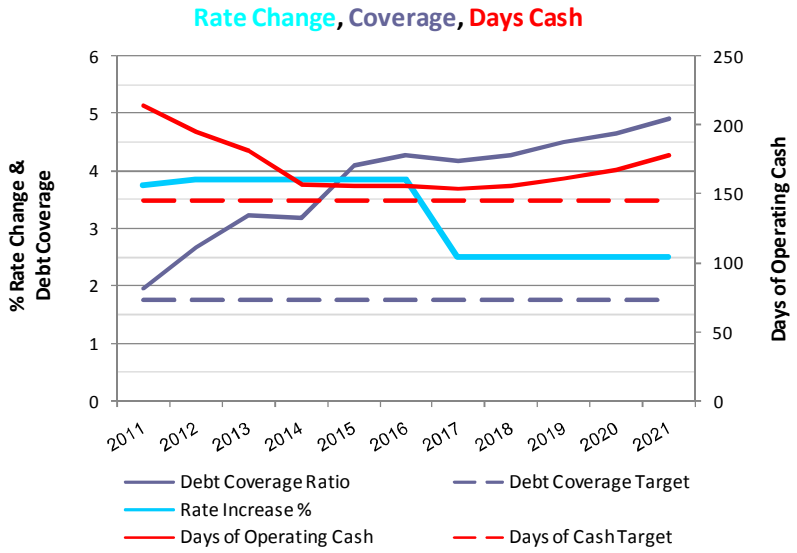
3. Implement Rate Increases

3 **Implement Rate Increase**
PUB conceptual approval of <5%/yr for 2011, 12, 13 and 14

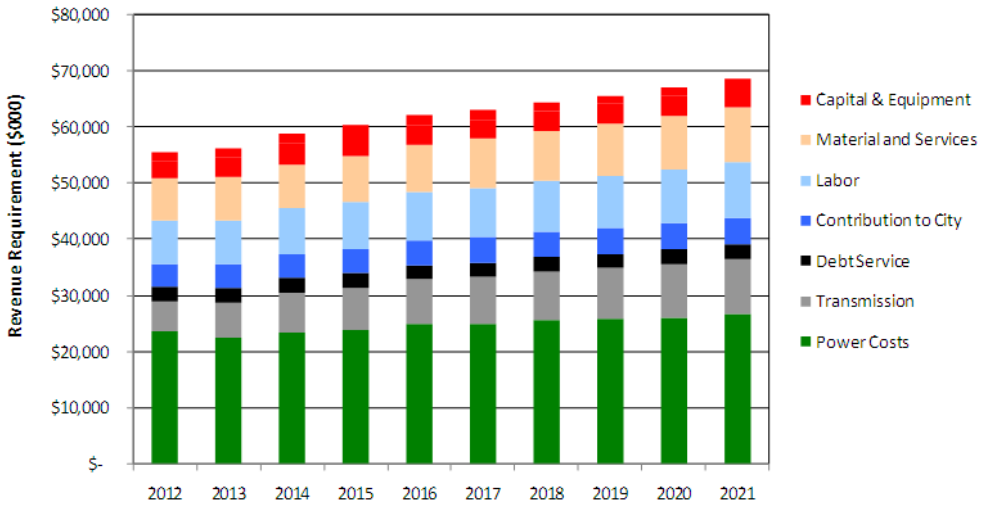
In May 2010 the PUB adopted a 5-year rate adjustment plan. This initiative is intended to provide analytic support to this plan to ensure AMP continues to meet its financial criteria of a minimum of 145 days of cash on hand and a debt ratio of 1.75 and to have an understanding of the competitive impact of the planned rate adjustments as compared with PG&E's. The accompanying chart (presented to the Board in April 2011) shows that over the next 10 years, rates are expected to go up at a

moderate pace, the debt coverage ratio is expected to exceed targets and operating cash is expected to remain over target.

Specifically this initiative will continue to improve the Pro Forma model tool developed in FY 2011 and develop additional analytic tools, processes and documentation. Further, staff will establish review processes for each major input to the rate analysis including validation of AMP's load forecast, power cost model and the assumptions used in the 10 year Pro Forma. The process and tools used to allocate the average rate adjustment from the Pro Forma to AMPs rate classes and to compare with those of PG&E's for similar classes will also be updated. The Cost of Service Analysis and rate analysis results will inform the allocation of the average rate adjustment for FY 2013-FY15. Additional rate structures may also be evaluated for FY 2013 and later.



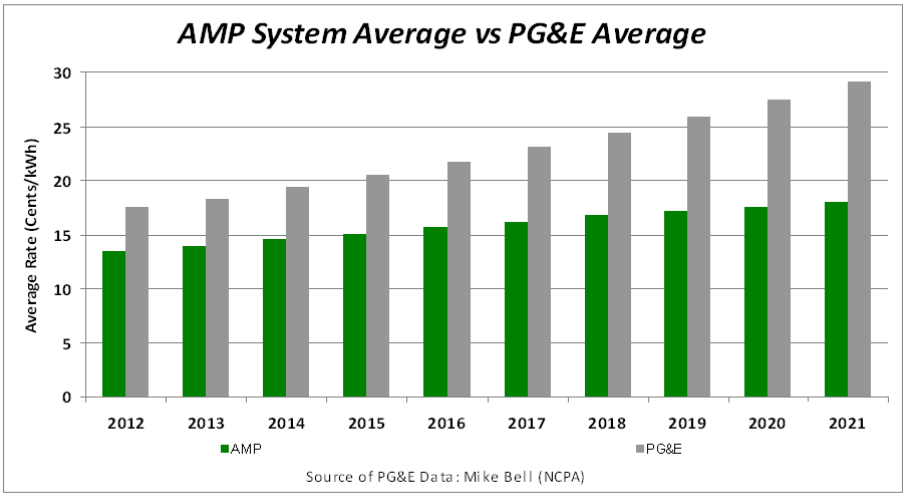
The chart to the right shows how AMP costs are expected to increase over the next 10 years. The chart shows that the majority of costs are expected to be in power supply, materials and services. Only 15% of costs is expected to be labor-related, a result that is almost the exact inverse of the General Fund budget. AMP's financial assessment showed that revenue increases were needed over the next five years due to higher power and transmission costs not controlled by AMP and lower sales. In the near term, AMP must replace an existing inexpensive power contract entered into in 2000, with a new contract that is expected to double or triple in cost. Transmission costs throughout the State also are expected to double mostly due to the cost of replacing and constructing facilities to connect to new renewable power



sources to meet the recent renewable portfolio standards requirement adopted by the state. Approximately 58% of AMP's forecasted cost increases over the next 10 years are attributable to uncontrollable power and transmission costs. These two factors could have resulted in double-digit rate spikes; however, staff's recommendations for small but steady rate increases spread over several years, was favored by the Board.

Low rates are the primary reason that the City owns its own electric utility. Lower rates translate into more of customers' money being available for other economic activity. Therefore, it is of vital importance for AMP to provide customer value through lower rates. The accompanying chart shows a projection of how AMP rates are expected to fare against the neighboring utility's rates, given certain assumptions in AMP's 10-year pro-forma. AMP rates are expected to continue to remain below PG&E rates, with residential rates approximately 24% lower and commercial rates 8% to 14% lower. These lower rates translate into an approximate $10 million value retained by the community, compared to neighboring utility rates.

Rate Projection Comparison:



Over 10 years, AMP maintains a rate advantage relative to PG&E.

4. Update Cost of Service Study & Study New Rates

4 Update cost of service & study new rates
RFP for Rate Structures for future & cost of service update

It has been many years since an external Cost of Service Analysis (COSA) on AMPs rates has been performed. AMP's rate principles require AMP to consider customer equity and competitiveness among other attributes when setting rates. An external COSA, which identifies enterprise cost causation and cost recovery, in conjunction with a rate analysis at current rates using the COSA output, provides this understanding. For example a COSA can be used to review current rates and understand whether the current allocation methodologies among customer classes should be updated. A COSA can also provide the input to rate analysis that can help utilities understand the impact of new rate structures. For example, Smart grid technologies give utilities the ability to offer radically different rate structures. In addition to the COSA, AMP believes it is important to perform, a survey of the impact of both new technologies and rate structures, and to look more closely at those that might benefit AMP's customers in the future. To meet these objectives AMP is preparing a Request for Proposals (RFP) to seek bids on completing

the scope of work described generally above. The RFP breaks the scope of work into several phases each of which require the involvement of AMP staff to evaluate options that will ultimately determine the final project deliverables. At issue is the need to secure relevant recent interval data to support the project, a need which is being addressed on a parallel path with this RFP process. As many decisions regarding AMI and the suitability of various rate structures are dependent on the results of this project, work will begin as soon as a consultant is selected.

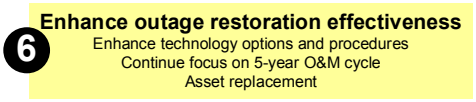
5. Get Audit Ready

- *NERC/WECC 2013 Audit*
- *Compliance Plan by CY2011*

National Electric Reliability Corporation (NERC) compliance governs the safe and reliable operation of the bulk electrical system. Reliably Public Power Provider (RP3), an American Public Power Association (APPA) program, provides a blue print of best practices for safety, reliability, work force development and system improvement. Other compliance models govern proper financial reporting practices. A successful culture of compliance is achieved when all employees take personal accountability for developing and/or following procedures; recording prescribed activities, embracing a questioning attitude, and fostering organizational learning. AMP will be audited by NERC in the first half of 2013. In addition to getting ready for this audit, this initiative ensures that prioritizing compliance for all aspects of the business is established at the highest governance level, in line with utility best practices.

6. Enhance outage restoration effectiveness

- *Enhance technology options and procedures*
- *Continue focus on 5-year O&M cycle*
- *Asset replacement*

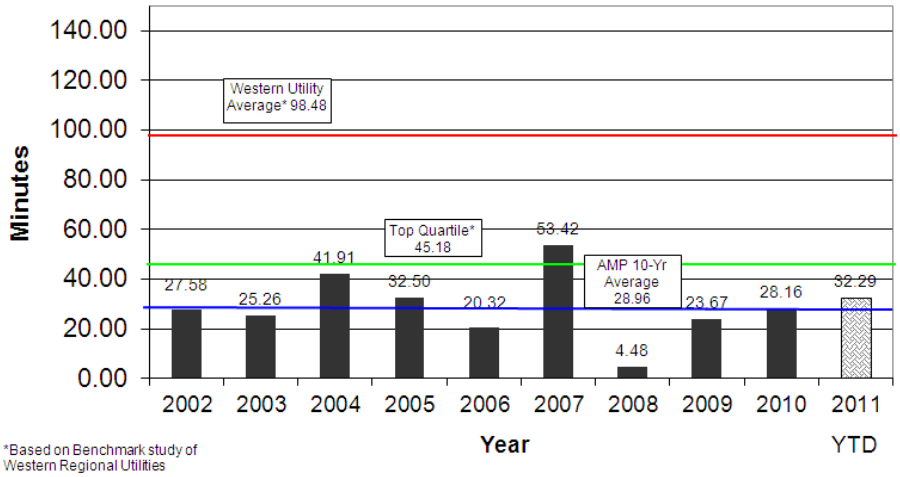


Proactive reliability that utilizes planned installation of technology and procedures to increase reliability and decrease outage duration and planned reactivity to restore quickly, safely and in compliance with established standards. Use of historical data to track outages and identify outage trends based on circuit, environmental conditions, cause and location is necessary. Performing system health analysis to identify fuse coordination problems, conductor choke points and areas in need of greater flexibility (installation of switched transformers, remote monitoring equipment, automatic sectionalizers, etc.) is planned. The current capacity of the telephone trunk system is limited to 300+ simultaneous calls. During large outages AMP receives hundreds of calls and when the trunk lines are taxed to capacity, customers will receive busy signals. This affects customer satisfaction levels, as customers have stated that proactive outage communication is a valued service. Implement internal procedures for enhanced communication and 21st Century, a vendor supplied call overflow and notification system which includes texting, email, social media, and alert capability. This initiative is closely

connected to Initiatives 7 and 8.

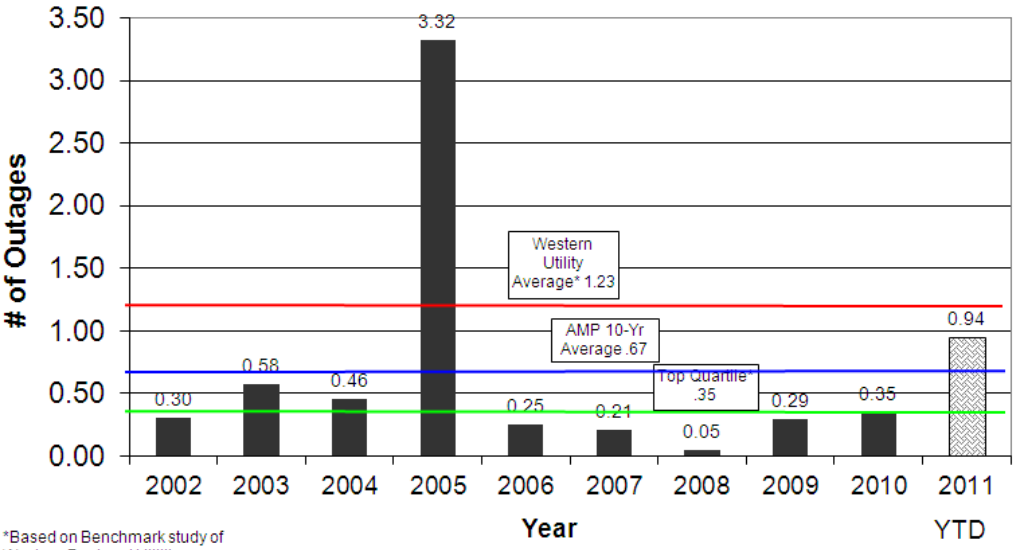
The accompanying charts show AMP's reliability measures over the last 10 years displayed in two different perspectives. The first perspective shows the average duration of an outage and the second perspective shows how many times a customer experiences an outage. Since many outages occur on a localized basis impacting only a few customers, using averages are just one way of showing how AMP fares on a system-wide basis. The charts show that from a outage-duration perspective, AMP ranks in the top quartile of Western utilities and from an outage-frequency perspective, AMP is better than average.

System Average Interruption Duration Index (SAIDI) 10-Yr History
For those AMP customers that experience an outage, the average duration of the outage is...



*Based on Benchmark study of Western Regional Utilities

System Average Interruption Frequency Index (SAIFI) 10-Yr History
The average number of times that an AMP customer experiences an outage in a year is...



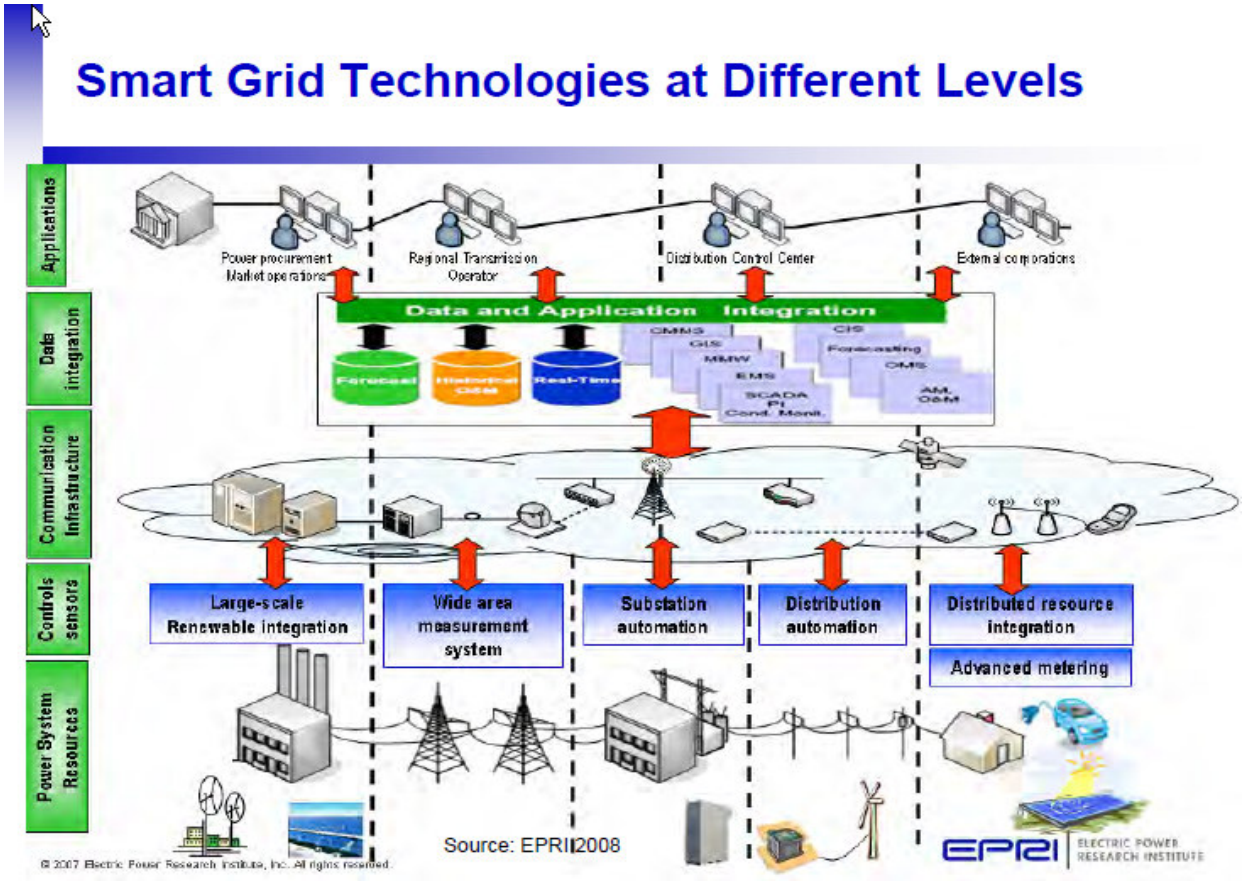
*Based on Benchmark study of Western Regional Utilities

7. *Modernize delivery system*

- *IT Strategic Plan*
- *Roadmap for Advanced Technology*
- *EV – get ready plan and implement*

7 **Modernize delivery system**
IT Strategic Plan
Roadmap for Advanced Technology
Electric Vehicles – Get Ready Plan and Implement

An all-encompassing, holistic, strategic approach is needed to assess current IT infrastructure and current and future needs. The result would be the development of an IT business plan, taking into consideration future business models and needs for the integration of advanced technology and the potential of smart meters. The IT infrastructure builds the communication platform needed to support future business objectives so we have integrated systems to build on. As this initiative is a main task



associated with the Smart Grid Business Plan (Initiative 8) and Enhancing Technology Options (Initiative 6), it is an important step to ensure we are strategically preparing the IT structure of the organization.

At AMP, we have taken a second-mover philosophy related to the newer technologies and are in the process of evaluating proven technologies that can be implemented in the near-future. We are of course focused on the advanced technologies that are related to the distribution system. Advances in the generation and transmission system of the supply chain are addressed through our advocacy in legislative and regulatory forums. Additionally, many of the technology changes to the generation and transmission systems are out of our control and we will be price and product takers. The chart shows

one schematic of smart grid technologies presented at the Board's 2011 Strategic Planning workshop. In short, technology will impact the electric utility industry over the coming decade in revolutionary ways. The impact on AMP will be seen in the distribution system and in the customer interface. Our general plan is to take small steps, implement proven technologies on the distribution system soon and evaluate the business case and implementation plans for the more cutting-edge technologies in a more deliberate pace.

8. Business Case for Smart Grid

- *What makes sense for Alameda?*

Smart Grid is tied to Advanced Technology and Initiatives 6 and 7. The utility infrastructure is changing from a one way communication system to a two way communication system. As new technologies are being introduced the level of uncertainty increases as we do not know which technology will emerge as the winner. Developing a business model and plan will allow AMP to find an Alameda solution and manage the implementation of the Smart Grid.

The highlights for this year's workshop stressed that changes over the next 5 years or sooner require AMP to be proactively engaged to modernize the Alameda Power delivery system. Advanced Technology in the utility space includes an all-encompassing term called "Smart Grid". A Smart Grid uses advanced digital devices for two-way communication to enhance the speed at which data is collected and affects all areas of the operation. At the current time, there exist proven technologies, tools and techniques available now – knowledge capable of making the grid work far more efficiently. Additionally, there are technologies that are not yet proven, but that are in various stages of being tested that have the potential to transform the grid and:

- Ensuring its reliability to degrees never before possible
- Maintaining its affordability
- Reinforcing our economic competitiveness
- Fully accommodating renewable and traditional energy sources
- Potentially reducing our carbon footprint
- Introducing advancements and efficiencies yet to be envisioned

9. Prepare for New Block Load

- *LBNL*
- *Other large customer load*

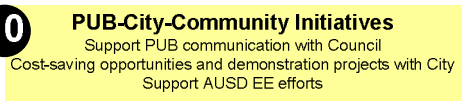
The Board has directed staff to undertake appropriate actions with the City to attract Lawrence Berkeley National Laboratory's second campus to the City. Of the six sites being considered, Alameda is the only site that has its own municipal-owned electric utility. AMP was selected for the short list for siting of LBNL's second campus. The second campus could at maximum, double the electric power load for Alameda over a period of 15 years. In preparation AMP is seeking a path forward that would manage the risk of serving a customer of this size while

providing customer service at a fair price. More specifically AMP is developing a wholesale power supply strategy which includes energy and infrastructure (e.g. N-1 transmission service to LBNL owned substation) for LBNL which ensures AMP does not lose money nor creates a situation whereby other customers could potentially secure wholesale service and bypass AMP rates. Should LBNL choose Alameda, AMP believes additional large customers may follow. In preparation AMP is developing facilities and interconnection agreements (and any other necessary agreements) as well as updating the existing A4 rate, for customers of 4 MW and larger, to mitigated risk and to ensure equitable cost recovery.

Maintaining AMP's lower rates and higher reliability are the most effective incentives that the Board can offer to foster business attraction and retention. However, in addition to these advantages, AMP also provides an additional economic development discount rate that provides a 15%, 10% and 5% discount to qualified new business customers over a 3-year period.

10. PUB-City-Community Initiatives

- *Identify value-added opportunities to engage, partner, communicate and participate in shared goals with the City, Community, and other stakeholders and associations.*



As a local community utility, a portion of AMP's annual revenues contribute to the community to fund City services. In addition to customer value (lower rates, higher reliability, environmental stewardship), the utility's value to the City must be planned for and communicated to the City Council and community. Over $4 million is transferred to the City's General Fund via the General Fund Transfer, Payment in Lieu of Taxes (PILOT) and Return on Investment (ROI). The annual combined General Fund transfer and PILOT/ROI total approximately 8% of AMP revenues. AMP's financial advisor, in a presentation made to the Board last year, showed that the average transfer of A- rated utilities is about 6.8% of revenues (since this presentation, AMP has been upgraded to A+. The table to the right shows the components of AMP transfers and cost allocations. All AMP costs, including employee salary and benefit costs are funded by ratepayers, as shown in the table to the right.

	Budget FY 2012
General Fund Transfer	$2,800,000
PILOT / ROI	$1,300,000
City cost allocation	$630,900
City direct cost	$100,000
Insurance-P&L	$175,000
Rent–warehouse, Etc.	$198,200
Garage fees & sewer	$73,950
Total	$5,278,050

AMP PERS cost	$980,000
AMP benefit cost	$2,338,300
Total	$3,318,300

The table below shows the contributions to the City as a fraction of General fund revenue and expenses

AMP Transfers and Cost Allocation as % of City Budget				
General Fund Revenue (FY11 estimated)	$	72,524,530		
General Fund Expenses (FY11 estimated)	$	62,085,585		
			% of GF Revenue	**% of GF Expense**
General Fund Transfer	$	2,800,000	3.9%	
PILOT/ROI	$	1,300,000	1.8%	
Subtotal	**$**	**4,100,000**	**5.7%**	
Subtotal with cost allocations	**$**	**5,278,050**	**7.3%**	**8.5%**

The value of lower rates in terms of dollars that are retained in the Alameda community is about $10 million as shown in the table below.

AMP Rate Advantage Value		
AMP average rate	0.13513	$/kWh
PG&E average rate	0.16224	$/kWh
AMP load	386,000,000	kWh
Value of lower AMP rates	**$ 10,464,460**	

This initiative also deals with supporting and enhancing PUB communication with the City Council; engage in partnerships with the City and Community for cost saving opportunities, demonstration projects, economic development opportunities, and energy efficiency/GHG reduction initiatives. Most recently, AMP has completed a comprehensive energy-efficiency survey for all City facilities (funded partly via ARRA Stimulus Funds and AMP rebates) and is prepared to offer loans to the City for implementation.

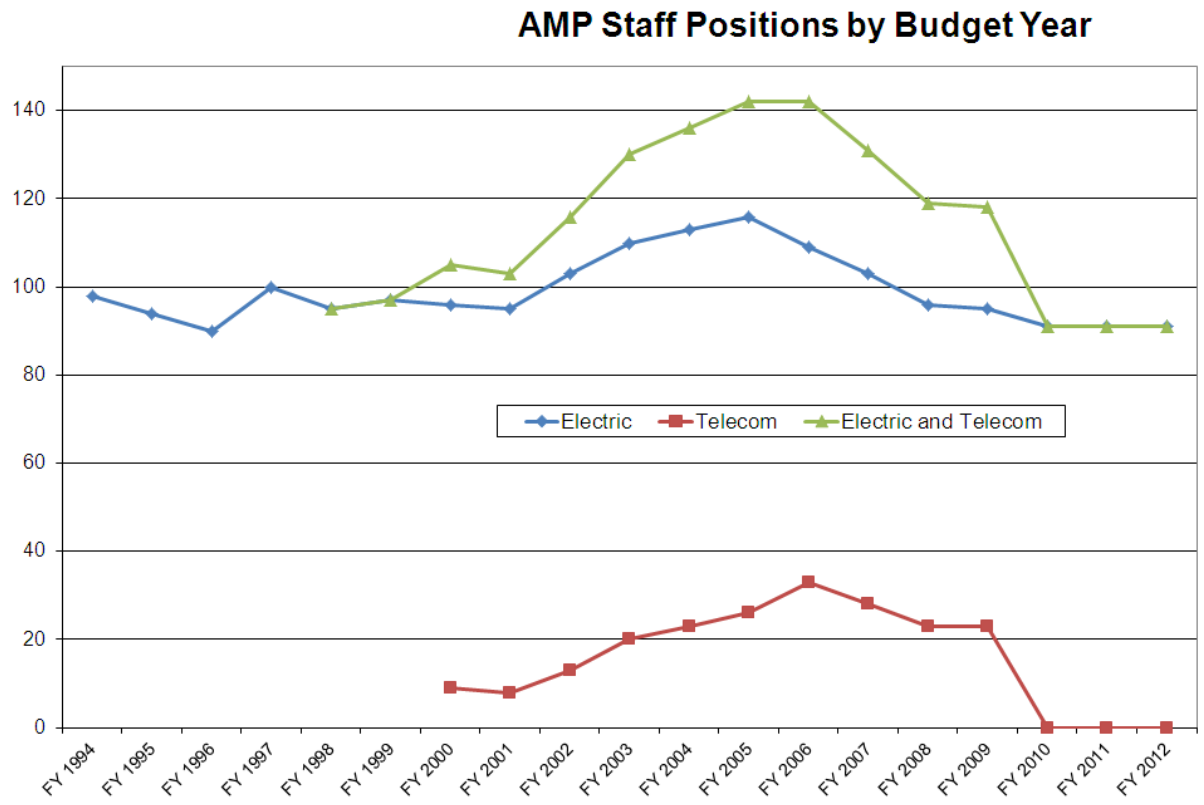
11. Organizational Development

- *Learning for Board and Employees;*
- *Employee Recognition;*
- *Workforce skills and succession plan*

11 **Organization Development**
Learning for Board and Employees
Employee Recognition
Workforce skills and succession plan

This initiative deals with proactively developing a learning environment with exposure to external educational opportunities and team building to prepare employees and the Board for changes in the utility industry. Additionally, as the changes within the electrical industry continue to transform the industry, specific technical and other skill sets will be required of staff. Several job descriptions have not been updated and do not accurately reflect the current responsibilities and skill set required of the position. The changes are a result of increased regulatory and operational demands, advancements in technology, and communication needs, at AMP and throughout the industry. Having skilled staff is critical when undertaking advanced technology and/or other critical initiatives and requires training to ensure staff is equipped with the right tools and training needed. Taking a proactive position on utility workforce issues will prevent taking a reactive position in response to a negative triggering event.

AMP currently has 91 employees. The labor force is at levels below its 1998 staff count. This headcount is comparable to the headcount in the early 1990s, almost 20 years ago.



The work load and complexity of running the utility has increased and the implied increase in productivity is something we are pleased with.

The average age of AMP staff is about 48 and with 29% of personnel currently surpassing age 55 and of retirement age; we must take steps to ensure that we have the right skills and policies to keep the utility providing existing service levels, let alone increased service levels. An additional 14% of the workforce will turn 55 within 5 years, totaling 43% of AMP's workforce that are eligible to retire within the next 5 years. The 43% represent a wide range of expertise and are dispersed among all bargaining units; 18% MCEA, 15% IBEW, and 10% ACEA.

AMP's workforce is its biggest asset and proactively identifying and planning for current and future staffing needs are critical to achieve organizational objectives. In order to effectively execute the above initiatives and, more importantly to prepare the utility for the future demands and challenges facing the industry, workforce succession planning is of high priority (Initiatives #11 & #13). Attracting, hiring and retaining a qualified workforce by providing competitive salaries, benefits, opportunities, tools, and job satisfaction is required.

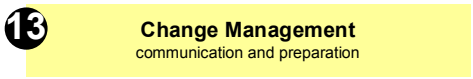
12. Enhance service delivery infrastructure

- *Improve warehouse storage;*
- *Lower building carbon footprint*

Enhancing the service delivery infrastructure will allow AMP to serve its customers in a more efficient manner. Right sized procurement, storage, and tools will allow AMP to serve the needs of customers and employees in a more efficient manner. This initiative will involve upgrading existing building facilities to improve customer and employee experience. Service Delivery will also benefit the AMP workforce by investing in the workplace. Examples include renovating conference rooms to allow for a more efficient use of space; consolidating AMP space and storage; and enhancing the 2000 Grand St lobby.

13. Change Management

- *Communication and preparation*



Change management at AMP is needed to address critical issues, risks, and opportunities associated with organizational needs, regulatory demands, increased customer expectations, employee effectiveness, professional development, and job satisfaction.

As the changes being described in these initiatives are implemented within the organization, care must be taken to effectively communicate the reasons for these changes to employees and other stakeholders. A deliberate plan must be developed and implemented so that the changes being considered and implemented are understood in its proper context. Without a thoughtful plan, the chances of pushing the organization into chaos and/or inefficiency are high.

14. Update all reports (internal and external)

- *Improve effectiveness and insight; Update policies and procedures.*

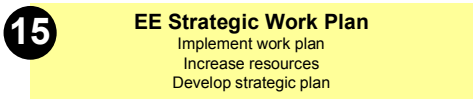
AMP has numerous internal and external reports that are created on a regular basis that sometimes contain duplicative or incomplete information. Additionally, there are many instances when information is needed and it is not available. This initiative is being undertaken to allow AMP better access to data and information. It will allow us to gain knowledge and insight by finding the relevant data to make decisions.

This initiative will include identifying gaps in current state of how we interact with information; develop a plan to mitigate these gaps and thereby provide excellent service to our internal and external stakeholders. This includes examining and improving how we access, manipulate, and report data in a manner that enhances our ability to carry out our respective missions/jobs.

Certain policies and procedures have not been reviewed for consistency and effectiveness in many years. Other initiatives will deal with some policy and procedure updates, and this initiative will look at all other policies and procedures. New technology and processes will be evaluated and utilized in this initiative.

15. EE Strategic Work Plan –

- *Implement work plan*
- *Increase resources*
- *Develop strategic plan; achieve AB2021 targeted goals and provide a robust energy efficiency program*



Implement the initiatives identified in the FY2012 - 2015 EE Work Plan which incorporates an organization-wide strategy. Components include regulatory reporting, advanced technology and tools, customer outreach and community workshops, partnering with other local, City, and State agencies on EE initiatives, working with key stakeholders, and piloting new programs and services.